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IN THE

Supreme Court of the United States

PATENT ENFORCEMENT TEAM, LLC

Petitioner,

v.

DICKSON INDUSTRIES, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

This case presents two important legal questions, each with sweeping ramifications for federal patent policies and interests, and each wrongly decided by the United States Court of Appeals for the Federal Circuit ("Federal Circuit"). The decision below erroneously punishes the patentee for publishing its rights in good faith as required under the Patent Act and improperly upholds an invalidity determination without proper evidentiary support. Review of the decision below is urgently needed because it contravenes important principles and policies of federal law on matters as to which the Federal Circuit is effectively the court of last resort, unless this Court grants review.

The questions presented are:

1. Can a patentee be held liable for tortious interference without an appropriate finding that the patentee's pre-suit actions were objectively baseless?

2. What constitutes substantial evidence sufficient to invalidate a claim based on anticipation?

PARTIES TO THE PROCEEDING

The names of all parties to the proceeding in the Federal Circuit are:

Patent Enforcement Team, LLC;

Dickson Industries, Inc.;

Midstate Traffic Controls, Inc.; and

Sawhorse Investments, LLC.

CORPORATE DISCLOSURE STATEMENT

Patent Enforcement Team, LLC is a Florida limited liability company. It has no parent corporation. It issues no stock. No publicly held company has any ownership interest in PET.

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OPINIONS BELOW

The unpublished opinion of the Federal Circuit is attached as Appendix "A". A copy of the Order denying rehearing and/or rehearing en banc is attached as Appendix "H".

JURISDICTION

The date on which the Federal Circuit decided this case was May 20, 2009. A timely petition for panel rehearing or rehearing en banc was denied by the Federal Circuit on July 23, 2009. Judgment was issued as a mandate on July 30, 2009. This petition is timely filed pursuant to S. Ct. Rule 13.1. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY AND CONSTITUTIONAL PROVISIONS INVOLVED

35 U.S.C. § 102 states in relevant part:

> A person shall be entitled to a patent unless—
>
> (a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent. . . .

STATEMENT OF THE CASE AND FACTS

Patent Enforcement Team, LLC ("PET") is a Florida limited liability company that owns and licenses patents, including, but not limited to, United States Patent No. 4,701,069 (the " '069 Patent"). (A0378; 0381). The application that matured into the '069 Patent was filed on December 10, 1986 and is entitled "Rain Drainage Grooves in a Road and Apparatus for Making Them." (A0064).

In 2001, PET obtained the '069 Patent from Mr. Glen Thomas because it provided a method for cutting rumble strips[1] that was revolutionary to the road construction industry. (A0381; A0435).

Claim 5 of the '069 Patent provides for a method of:

> forming a plurality of groves in the surface of a road, the method including the steps of rotating a cutting cylinder about an axis which is substantially horizontal and which axis is at an angle to the longitudinal direction of the road, moving the rotating cutting cylinder along the road, and simultaneously, moving said cylinder alternately up above the road surface and down into said road surface, to thereby form a plurality of generally parallel grooves in the road each groove having a forward side wall and a rearward side wall.

(A0069).

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1. A rumble strip is a depression in the road that "is used to generate noise and vehicle vibration ... to thereby appraise the driver that the vehicle is either to be slowed down or not in a proper portion of the road." (A0067).

Prior to this invention, machines used to cut rumble strips did not operate in a continuous manner. (A0067). The machines would remain stationary, cut into the road, pull out of the road and then advance to the next location where it would set-up and prepare for its next cut. *Id.* This process was highly inefficient, slow and expensive; yet, it remained the state of the art in the rumble strip industry for over ten years. (A0358-0359; A0435).

After purchasing the '069 Patent, PET began enforcing its rights in the '069 Patent with companies that use rumble strip machines. (A0381-0382). PET entered into license agreements with ten (10) rumble strip companies to allow them to continue to use its invention. (A0560).

In May 2001, Thomas Grinding, Inc. ("TGI"), which was about to enter into a license agreement with PET regarding claim 5 of the '069 Patent, sent a letter to Midstate Traffic Controls, Inc. ("Midstate") informing it that it "may wish to review [its] rumble strip process to determine whether it is covered by [c]laim 5." (A0462). Subsequently, PET's manager, Glen Thomas, engaged in several discussions regarding a license agreement with Midstate's owner Steve Wells and Midstate's attorney, John A. Kenney. (A0119-0121).

Midstate never agreed to enter into a license agreement. (A0449). Instead, Steve Wells, owner of both Midstate (the lessee that was using the machine) and Sawhorse Investments, LLC (owner and lessor of the machine) contacted Dickson Industries, Inc. ("Dickson") (the manufacturer of the machine) to seek indemnification. (A0445-0447; A0448). Dickson's response was to file a Declaratory Judgment Action on

April 10, 2002 against PET in the Western District of Oklahoma, approximately 40 miles from its principal place of business and over 1,000 miles from PET's principal place of business. (A0073; A0116).

After being served with the Complaint, PET filed a Motion to Dismiss on several grounds, including lack of personal jurisdiction, which the district court denied. (A0145-0152). Then, an unrelated third–party instituted a reexamination[2] with the USPTO and the case in Oklahoma was stayed pending the outcome of the reexamination. (A0153-0154; A0155; A0156-0157).

Following the issuance of a reexamination certificate confirming the validity of claim 5, (A0071-0072), the parties submitted briefs and participated in oral argument regarding the construction thereof. On October 13, 2006, the Court issued its *Markman* Order[3] construing the disputed portions of claim 5 of the '069 Patent as follows:

(1) The term "road" as used in claim 5 means "that portion of the roadway designed or ordinarily used for travel which does not include the shoulder";

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2. A reexamination occurs when a third party or inventor submits prior art that raises a "substantial new question of patentability" to the United States Patent and Trademark Office ("USPTO") and the USPTO subsequently determines whether the prior art invalidates a claim or claims covered by the patent.

3. A *Markman* Order is a pretrial order whereby the federal district court construes the meaning of key words in patent claims. *See Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

(2) The phrase "moving the rotating cutting cylinder along the road, and simultaneously, moving said cylinder alternately up above the road surface and down into said road surface, to thereby form a plurality" as used in claim 5 means "that the cutting cylinder simultaneously rotates, moves along the road and moves up and down through at least two cuts";

(3) The phrase "generally parallel grooves" as used in claim 5 means "grooves which are arranged side by side with their long sides parallel to each other which are generally oriented transverse to the travel direction of the road." (A0229; 0230; 0232).

After issuance of the *Markman* Order, Dickson sought leave to amend its First Amended Complaint to add the affirmative defense of inequitable conduct during the reexamination. (A0234; A0241-0242). The district court denied Dickson's motion. (A0251). Although the district court denied Dickson's motion to amend, the district court allowed, over objection, testimony and evidence regarding inequitable conduct during the reexamination to be presented to the jury.

Additionally, at trial, the district court provided the jury with the wrong legal standard for tortious interference. Instead of instructing the jury that tortious interference can only be found if PET's assertion of its patent rights was objectively baseless, the district court provided the jury with the state standard for tortious interference.[4]

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4. PET concedes that its trial counsel did not object to the district court's instruction on the standard for tortious interference. However, providing this erroneous legal standard to the jury resulted in a miscarriage of justice. (A0534-0541).

On September 27, 2007, the jury entered a verdict finding claim 5 of the '069 Patent invalid based on anticipation and/or obviousness and PET liable for tortious interference with Dickson's business relationships. The jury awarded damages against PET in favor of Dickson in the amount of $1,541,236.00 in connection with the tortious interference claim. (A0004-0007). After post-trial motions, the district court entered a Final Judgment on April 22, 2008 upholding the jury's verdict. (A0001-0003). In addition, the district court ruled that the '069 Patent was unenforceable due to inequitable conduct and that this was an exceptional case entitling Dickson to an award of its attorneys' fees in the amount of $618,484.45. (A0019; A0029). On May 13, 2008, PET filed its Notice of Appeal. (A0639-0640).

On appeal, the Federal Circuit upheld the finding of invalidity concluding that the Spangler Patent anticipated claim 5. *See* Opinion at p. 8a. However, the Federal Circuit reversed the district court's finding of unenforceability and an exceptional case because the district court denied PET the opportunity to adequately defend against Dickson's allegations of inequitable conduct. *Id.* at p. 10a-11a. The Federal Circuit did not address PET's arguments regarding the erroneous tortious interference verdict.

REASONS FOR GRANTING THE PETITION

I. THE DECISION BELOW CONTRAVENES ESTABLISHED PATENT LAW

The Federal Circuit's decision represents a radical departure from principles long embodied in federal patent law and conflicts with the decisions of the Federal Circuit. Unless corrected, this decision will profoundly affect a patentee's First Amendment rights and create a conflict regarding the legal standard for finding a patent invalid based on anticipation.

A. TORTIOUS INTERFERENCE VERDICT CAN NOT AS A MATTER OF LAW STAND

When a patentee has been accused of tortious interference, "federal patent law preempts state-law tort liability." *Globetrotter Software, Inc. v. Elan Computer Group, Inc.*, 362 F.3d 1367, 1374 (Fed. Cir. 2004). Under federal patent law, Dickson must prove by clear and convincing evidence that PET's asserted claims of infringement were "objectively baseless." *See Dominant Semiconductors SDN. BHD. v. Osram GMBH*, 524 F.3d 1254, 1260 (Fed. Cir. 2008); *GP Indus., Inc. v. Eran Indus., Inc.*, 500 F.3d 1369, 1374 (Fed. Cir. 2007); *Globetrotter*, 362 F.3d at 1375. The Federal Circuit's objectively baseless standard originated from this Court in *Professional Real Estate Investors, Inc. v. Columbia Pictures Industries*, 508 U.S. 49, 60 (1993), where this Court explained in the context of an antitrust action that "the lawsuit must be objectively baseless in

the sense that no reasonable litigant could realistically expect success on the merits."[5]

The only evidence Dickson presented at trial regarding PET's alleged tortious actions relate to PET enforcing its '069 Patent by successfully entering into ten (10) license agreements, instituting law suits or sending pre-litigation letters to companies like Midstate. Dickson did not provide any evidence establishing that PET's *pre-litigation* conduct was objectively baseless. Indeed, the evidence shows exactly the opposite. Not only did PET reasonably expect to succeed on the merits, it, in fact, did succeed on the merits.

For example, the district court ruled that if claim 5 of the '069 Patent was found valid, "then the 160 feet of rumble strips cut by Midstate in 2005 infringed the patent." (A0005). Moreover, Glen Thomas, on behalf of

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5. *See also Contech Stormwater Solutions*, 310 Fed. Appx. at 409 (evidence regarding "subjective 'bad faith' . . . was insufficient as a matter of law to prove the 'objectively baseless element'" required for a tortious interference finding); *800 Adept, Inc. v. Murex Securities, Ltd.*, 539 F.3d 1354, 1369 (Fed. Cir. 2008) ("State tort claims against a patent holder, including tortious interference claims, based on enforcing a patent in the marketplace, are 'preempted by federal patent laws, unless the claimant can show that the patent holder acted in 'bad faith' in the publication or enforcement of its patent."); *Dominant Semiconductors*, 524 F.3d at 1260 (patentee does not act in bad faith unless the claims it asserted were objectively baseless); *GP Industries*, 500 F.3d at 1374 (objectively baseless standard means that "no reasonable litigant could reasonably expect success on the merits"); *Globetrotter*, 362 F.3d at 1374 (When a patentee has been accused of tortious interference, "federal patent law preempts state-law tort liability").

PET, testified that the letters sent to Midstate notifying it of the '069 Patent were drafted and approved by PET's counsel. (A0379-0380; A0383-0384). Reliance on an attorney's opinion regarding the enforceability of a patent militates against a finding of bad faith. *See Golan v. Pingel Enterprise, Inc.*, 310 F.3d 1360, 1372 (Fed. Cir. 2002). Furthermore, "[t]he law recognizes a presumption that the assertion of a duly granted patent is made in good faith." *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1369 (Fed. Cir. 1998), *cert. denied*, 526 U.S. 1130 (1999).

Equally compelling is the fact that the only evidence of any bad faith conduct at trial related solely to the reexamination proceeding, which occurred long *after* the case was filed, and was based on actions taken by PET's former counsel, Akerman Senterfitt, *not* PET. In 2002, when this lawsuit was filed, PET realistically expected to succeed on the merits of its infringement claims, which immunizes it from liability for tortious interference. *See Contech Stormwater Solutions*, 310 Fed. Appx. at 409 (evidence regarding "subjective 'bad faith' . . . was insufficient as a matter of law to prove the 'objectively baseless element'" required for a tortious interference finding); *800 Adept*, 539 F.3d at 1369 ("State tort claims against a patent holder, including tortious interference claims, based on enforcing a patent in the marketplace, are 'preempted by federal patent laws, unless the claimant can show that the patent holder acted in 'bad faith' in the publication or enforcement of its patent."); *Dominant Semiconductors*, 524 F.3d at 1260 (patentee does not act in bad faith unless the claims it asserted were objectively baseless); *GP Industries*, 500 F.3d at 1374 (objectively baseless standard means

that "no reasonable litigant could reasonably expect success on the merits"); *Globetrotter*, 362 F.3d at 1374 (When a patentee has been accused of tortious interference, "federal patent law preempts state-law tort liability").

This Petition for Certiorari should be granted because the Federal Circuit's decision departs from its long-standing precedent. The jury found PET liable for tortious interference based solely on a subjective bad faith standard. Without review, this decision will eliminate the necessity of finding a patentee's pre-suit actions to be objectively baseless as previously required by the Federal Circuit. *See, e.g., Contech Stormwater Solutions*, 310 Fed. Appx. at 409 (evidence regarding "subjective 'bad faith' . . . was insufficient as a matter of law to prove the 'objectively baseless element'" required for a tortious interference finding) and cases cited in footnote 5. Permitting this to occur would be a gross miscarriage of justice, violate PET's due process and effectively turn patent law on its head.

Review of the Federal Circuit's decision is also necessary because the evidence that was presented by Dickson regarding its tortious interference claim was the same evidence that Dickson presented regarding inequitable conduct, which the Federal Circuit reversed and remanded because PET was not given an opportunity to demonstrate its good faith. Accordingly, the Court should grant this Petition for a Writ of Certiorari and review the Federal Circuit's decision.

B. THE PRIOR ART DOES NOT ANTICIPATE CLAIM 5

1. Legal Standard

A patent carries with it a strong presumption of validity, and a challenger has the burden of establishing invalidity by clear and convincing evidence. *See* 35 U.S.C.A. § 282; *Kim v. Conagra Foods, Inc.*, 465 F.3d 1312, 1324 (Fed. Cir. 2006), citing *Honeywell Int'l v. Hamilton Sundstrand Corp.*, 370 F.3d 1131, 1145 (Fed. Cir. 2004). "Suspicion and speculation do not rise to the level of clear and convincing evidence." *Tomei v. Dep't of Educ.*, 113 Fed. Appx. 920, 923 (Fed. Cir. 2004) (quoting *Hageny v. United States*, 570 F.2d 924, 937 n. 16 (1978)). Subsequent confirmation of patentability by the USPTO makes it more difficult for a challenger to meet its burden. *See Custom Accessories, Inc. v. Jeffrey-Allan Indus., Inc.*, 807 F.2d 955, 961 (Fed. Cir. 1986) ("upon reissue, the burden of proving invalidity was 'made heavier'").

The Federal Circuit has held that in an anticipation analysis, what a prior art reference discloses is a factual determination that is reviewed for clear error. *See Zenon Envtl., Inc. v. U.S. Filter Corp.*, 506 F.3d 1370, 1377 (Fed. Cir. 2007); *Hoover Group, Inc. v. Custom Metalcraft, Inc.*, 66 F.3d 299, 302 (Fed. Cir. 1995). In addition, a court "must presume that the jury resolved all factual disputes in favor of the prevailing party, and . . . must leave those findings undisturbed as long as they are supported by substantial evidence." *Akamai Technologies, Inc. v. Cable & Wireless Internet Services, Inc.*, 344 F.3d 1186, 1192 (Fed. Cir. 2003), citing *SIBIA Neurosciences, Inc.*

v. Cadus Pharm. Corp., 225 F.3d 1349, 1354 (Fed. Cir. 2000). However, "[s]ubstantial evidence is more than a mere scintilla. It means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion." *Akamai Technologies*, 344 F.3d at 1192, citing *Consol. Edison Co. v. NLRB*, 305 U.S. 197, 229 (1938). "[S]ubstantial evidence review involves an examination of the record as a whole, taking into consideration evidence that both justifies and detracts from the decision of the fact-finder." *Id.*, citing *In re Gartside*, 203 F.3d 1305, 1312 (Fed. Cir. 2000).

The Federal Circuit acknowledged that anticipation requires a single prior art reference to disclose *each and every* method step of the claimed invention. *See* Opinion at p. 7a; *see also Schumer*, 308 F.3d 1304, 1309 n. 3 (Fed. Cir. 2002); *Atlas Powder Co. v. E.I. du Pont de Nemours & Co.*, 750 F.2d 1569, 1574 (Fed. Cir. 1984) (the absence of a claim element from a prior art reference negates anticipation). However, in applying the law to the prior art, the Federal Circuit relied on unsubstantiated testimony in concluding that the Spangler Patent anticipates claim 5.

2. The Spangler Patent Does Not Anticipate

The Federal Circuit concluded that the Spangler Patent anticipates claim 5 because: (1) Dickson's expert testified that the Spangler Patent contained every element of claim 5; (2) PET's expert testified that if the Spangler Patent taught "moving the cutting head above the road surface then the Spangler Patent anticipates claim 5"; and (3) "[t]he Spangler Patent discloses a grinding apparatus that can travel over the road surface

while the grinding wheel is controlled by a hydraulic cylinder allowing the grinding wheel to move up above and down into the road surface, in order to cut rumble strips." Opinion at p. 7a-8a. The Federal Circuit's conclusions are not supported by the record.

The parties' experts both testified that the Spangler Patent does not anticipate. For instance, Dickson's expert, Mr. Bailey, testified as follows:

> Q. So if Spangler teaches a person skilled in the art reading it, you've got to set your profile so it never goes higher than the existing road, then that aspect of Mr. Whitney's claim 5 would not be literally met by Spangler, would it?
>
> A. Well, based on the analysis that you just walked me through, that would be the conclusion that you would come to, yes. Uh-huh.

(A1618).

PET's expert, Dr. Kristin Wood, testified as follows:

> Q. . . . so the aspect of the Spangler teaching that's missing from claim 5 is that it would not teach the grinding head coming up out of the roadway and into the road surface, correct?
>
> A. In no way; in fact, it teach[es] the opposite. What it teaches is that that grinding wheel will remain in contact with the surface, which

> makes sense, because you're talking about resurfacing, and that would be what would be taught in the way to do rumble strips with this type of method.

(A0440).

The Federal Circuit states that "PET's expert opined that if the jury concludes that one of ordinary skill in the art would read the Spangler Patent to teach moving the cutting head above the road surface then the Spangler Patent anticipated claim 5. The actual testimony is as follows:

> Q. If the jury decides that the Spangler patent, one of ordinary skill in the art would read it to include that movement of a half inch above the road surface or whatever the distance is to get it above the surface, then it would anticipate the Whitney patent because it would include every element, if that was the jury's decision?
>
> A. If that patent included that teaching, it would be anticipatory. It does not include that teaching.

(A1072-1073).

The Federal Circuit focused on PET's expert responding to a purely hypothetical question that has no documentary evidence. This testimony is insufficient to support a finding of anticipation.

For example, in *Motorola, Inc. v. Interdigital Tech. Corp.*, 121 F.3d 1461, 1473 (Fed. Cir. 1997), the Federal Circuit overturned the jury's finding of anticipation because "[a]n expert's conclusory testimony, unsupported by the documentary evidence, cannot supplant the requirement of anticipatory disclosure in the prior art reference itself." The Federal Circuit also noted that while anticipation "presupposed the knowledge of one skilled in the art of the claimed invention, that presumed knowledge does not grant a license to read into the prior art reference teachings that are not there." *Id.*

Indeed, the Spangler Patent discloses a vehicle for resurfacing roads which comprises both a grinding apparatus for controlled removal of road surface material and an apparatus for selectively applying paving material to the road surface. (A0586-0587). The Spangler vehicle may use both apparatuses according to the most cost effective combination as determined according to the invention. (A0587). Rumble strips, according to the method disclosed in the Spangler Patent, are made by depositing material *above* the road surface, *not* by cutting. (A0440; A0586). Moreover, in the former function, while it does grind into the road, the grinding wheel ***never*** leaves the road surface nor do its actions result in the creation of a rumble strip. (A0587). As detailed in the chart below, the Spangler Patent does not contain all of the elements disclosed in claim 5:

Elements of Claim 5					
A method of forming a plurality of grooves in the surface of a road, the method including the steps	rotating a cutting cylinder about an axis which is substantially horizontal and which axis is at an longitudinal direction of the road,	moving the rotating cutting cylinder along the road, and	simultaneously, moving said cylinder alternately up above the road surface and down into said road surface,	to thereby form a plurality of generally parallel grooves in the road	each each groove having a forward side wall and a rearward side wall.
'069 Patent ✓	✓	✓	✓	✓	✓
Spangler Patent	✓	✓			

Because the Spangler Patent does not disclose a rotating cutting cylinder operated continuously alternately up above the road surface and down into the road through at least two cuts, it can not anticipate claim 5. *Akamai Technologies*, 344 F.3d at 1192 ("A claim limitation is inherent in the prior art if it is necessarily present in the prior art, not merely probably or possibly present."). Accordingly, PET respectfully requests that this Court grant its Petition and review the Federal Circuit's finding of invalidity.[6]

II. THE ISSUES PRESENTED ARE RECURRING AND IMPORTANT

There are additional reasons why it is critically important for this Court to address the issues that arose in this case. For example, this Court has not previously reviewed the Federal Circuit's "patent preemption" test, which holds that a patentee can not be held liable for tortious interference unless it is proven by clear and convincing evidence that the patentee's asserted claims of infringement were "objectively baseless." *See GP Industries*, 500 F.3d at 1374; *Globetrotter*, 362 F.3d at 1374. This Court should grant this Petition for a Writ of Certiorari to review the "patent preemption" test and determine, for universal application, its validity and scope.

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6. Should claim 5 be found valid, which PET contends it should be, Dickson's tortious interference claim fails as a matter of law and must be reversed. *See Dominant Semiconductors*, 524 F.3d at 1261 ("a successful outcome of the underlying litigation refutes a conclusion that the litigation was objectively baseless at the outset").

Secondly, by not applying the "objectively baseless" standard, the Federal Circuit's decision in this case essentially eviscerates its prior jurisprudence, thereby undermining a patentee's First Amendment right to communicate its patent rights to a potential infringer. If the process for obtaining a patent is to have any meaning, a patentee must be able to rely on the decision made by the USPTO. Accordingly, if patent law and policy are to be transformed by a new, expansive tortious interference doctrine that eliminates the legal standard set forth by the Federal Circuit in *GP Industries* and *Globetrotter* - that decision should be made by this Court.

Similarly, this case presents a continuing and reoccurring issue with respect to the evidence necessary to uphold an invalidity determination based on anticipation. The Federal Circuit's erroneous finding of invalidity was based on an expert's response to a purely hypothetical question. Without clarification from this Court on the appropriate evidentiary standard, a party will be able to invalidate a patent, not by what the prior art says, but by what responses an expert can provide to purely hypothetical questions. This Petition should be granted to determine what evidence constitutes "substantial evidence" sufficient to uphold an invalidity determination.

Moreover, as detailed above, it was clearly erroneous for the Federal Circuit to find that the Spangler Patent anticipates claim 5. Failure to review the Federal Circuit's decision will eliminate the requirement that anticipation requires a single prior art reference to disclose *each and every* method step of the claimed invention. It would be legal error and bad patent policy

to affirm an invalidity finding that was not based on substantial evidence.

CONCLUSION

For the foregoing reasons, this Court should grant this Petition for a Writ of Certiorari.

Respectfully submitted,

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APPENDIX

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DECIDED MAY 20, 2009

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2008-1372, -1398

DICKSON INDUSTRIES, INC.,

Plaintiff-Appellee,

v.

PATENT ENFORCEMENT TEAM, L.L.C.,

Defendant/Third Party
Plaintiff-Appellant,

v.

Midstate Traffic Controls, Inc. and Sawhorse Investments, L.L.C.,

Third Party Defendants-
Cross Appellants.

Appeals from the United States District Court for the Western District of Oklahoma in case no. 02-CV-467, Judge Joe Heaton.

DECIDED: May 20, 2009

Appendix A

Before MAYER, and RADER, *Circuit Judges*, and POSNER, *Circuit Judge*.*

RADER, *Circuit Judge*.

The United States District Court for the Western District of Oklahoma upheld the jury verdict that claim 5 of Patent Enforcement Team's (PET's) patent, U.S. Patent No. 4,701,069 ('069 Patent), is invalid due to anticipation or obviousness. Furthermore, the district court found the '069 Patent is unenforceable due to inequitable conduct of PET during the reexamination of the patent. The district court also concluded that this is an exceptional case and awarded Dickson Industries, Inc. (Dickson) attorney fees under 35 U.S.C. § 285. This court affirms the district court's ruling that claim 5 is invalid. Nevertheless, because the trial court erred in finding PET's patents unenforceable due to inequitable conduct, this court remands for a new trial on inequitable conduct, and accordingly, vacates the award of attorney fees based on the exceptional case finding.

I.

Dickson, an Oklahoma company, filed suit against PET, a Florida Company, seeking a Declaratory Judgment that PET's '069 Patent is invalid and unenforceable. Dickson manufactures and sells machines to cut rumble strips. PET is in the business

* Honorable Richard A. Posner, Circuit Judge, United States Court of Appeals for the Seventh Circuit, sitting by designation.

of licensing patents. By way of introduction to its licensing program, PET informed companies that using certain machines to cut rumble strips might infringe the '069 patent. PET invited these companies to negotiate a license. In 2001, PET approached Midstate Traffic Controls, Inc. (Midstate), one of Dickson's customers. Midstate refused to enter into a license agreement with PET. Instead, Midstate sued Dickson for indemnification. After Midstate and Dickson reached a settlement, Dickson filed a Declaratory Judgment Action against PET in the United States District Court for the Western District of Oklahoma.[1]

Dickson subsequently amended its Complaint to allege that PET tortiously interfered with Dickson's business relations, and PET filed a counterclaim against Dickson for infringement of claim 5 of the '069 Patent. In early 2003, the case was administratively closed pending reexamination of the patent. It was re-opened in 2006 after the USPTO upheld claims 1-7 of the original '069 Patent.

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1. On appeal, PET challenges personal jurisdiction in the Western District of Oklahoma. However, PET stipulated to personal jurisdiction in Oklahoma when it entered into the Joint Motion to Dismiss in the United States District Court of Arizona, agreeing to be bound by "any and all findings and conclusions in the Oklahoma Action." [A1213] Moreover, PET waived any further objection regarding personal jurisdiction when it stipulated to the fact "This court has jurisdiction over this matter" in the Joint Status Report and Discovery Plan, submitted to the court on February 27, 2006. [A1218]

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After issuing its Markman ruling, the district court entered a Scheduling Order setting deadlines for all parties to file a motion for leave to amend their pleadings. Dickson timely filed a Motion for Leave to File Second Amended Complaint, seeking to add an allegation that the '069 Patent is unenforceable due to inequitable conduct by PET during reexamination. The district court denied Dickson's motion. At the same time, it vacated the prior Scheduling Order and replaced it with one that did not allow for the amendment of pleadings.

In June 2007, Dickson responded to PET's Motion for Partial Summary Judgment on Validity by arguing the '069 Patent is unenforceable due to inequitable conduct during reexamination. PET filed a motion in limine to exclude such evidence. The district court denied the motion 10 days prior to trial. PET renewed its motion at the pretrial conference. Relying on the court's denial of Dickson's Motion for Leave to File Second Amended Complaint, PET's attorney told the judge that he believed that the issue of inequitable conduct during reexamination was not in issue. Moreover, he was not prepared to try the issue. Nevertheless, the district court denied PET's renewed motion in limine and allowed the parties to proceed.

At the conclusion of trial, the jury found claim 5 of the '069 Patent invalid due to anticipation or obviousness and PET liable for tortious interference with Dickson's business relationships. The jury awarded Dickson both compensatory and punitive damages in the amount of

$1,541,236. The district court upheld the jury's verdict. Dickson filed a post-trial Motion to Declare the '069 Patent Unenforceable Due to Inequitable Conduct. Dickson alleged that during the reexamination of the '069 Patent, PET failed to disclose the Spangler Patent, affidavits concerning the Modified Target Saw (MTS), and the video and photos of the operation of the MTS. After concluding that the omitted references are material and the omission of these references was done with the intent to deceive, the district court granted Dickson's motion and ruled that the '069 Patent is unenforceable due to inequitable conduct by PET during reexamination. Furthermore, the district court concluded that this is an exceptional case under 35 U.S.C. § 285 because Dickson has shown by clear and convincing evidence that PET and/or its attorneys engaged in inequitable conduct before the USPTO during the reexamination.

II.

The '069 Patent is entitled "Rain Drainage Grooves in a Road and Apparatus for Making Them." James Whitney filed a patent application for the invention in 1986. The patent issued in 1987. Claim 5 is representative:

> A method of forming a plurality of grooves in the surface of a road, the method including the steps of rotating a cutting cylinder about an axis which is substantially horizontal and which axis is at an angle to the longitudinal

> direction of the road, moving the rotating cutting cylinder along the road, and simultaneously, moving said cylinder alternately up above the road surface and down into said road surface, to thereby from a plurality of generally parallel grooves in the road each groove have a forward side wall and a rearward side wall.

U.S. Patent No. 4,701,069 (filed Dec. 10, 1986). During trial, Dickson alleged that the Spangler Patent, issued in 1984, anticipates the '069 Patent. Dickson further alleged that during the reexamination of the '069 Patent, PET failed to disclose the Spangler Patent and other material prior art references and documentation.

The Spangler Patent discloses a grinding apparatus that can travel over the road surface while the grinding wheel is controlled by a hydraulic cylinder allowing the grinding wheel to move up above and down into the road surface, in order to cut rumble strips. U.S. Patent No. 4,473,319 (filed Apr. 27, 1982) ("[M]odifying the existing road surface to obtain said desire profile by propelling road resurfacing equipment over the existing the road surface while continuously controlling said road resurfacing equipment. . . .") PET learned about the Spangler patent prior reexamination; however, it did not disclose the patent to the USPTO during the reexamination.

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III.

Anticipation under 35 U.S.C. § 102 requires a single prior art reference which discloses each and every element of the claimed invention. *See Akzo N.V. v. U.S. Int'l Trade Comm'n*, 808 F.2d 1471, 1479 (Fed. Cir. 1986). In an anticipation analysis, what a prior art reference discloses is a factual determination that this Court reviews for clear error. *See Zenon Environmental, Inc. v. U.S. Filter Corp.*, 506 F.3d 1370, 1377 (Fed. Cir. 2007). The Court must assume that all underlying factual issues were resolved in favor of the verdict winner, and must uphold the findings if they are supported by substantial evidence. *Akamai Technologies, Inc. v. Cable & Wireless Internet Services, Inc.*, 344 F.3d 1186, 1192 (Fed.Cir. 2003). A factual finding is supported by substantial evidence if a reasonable jury could have found in favor of the prevailing party in light of the evidence presented at trial. *Id.*

There is substantial evidence to lead a reasonable jury to find that the Spangler Patent anticipates the '069 Patent. The Spangler Patent discloses a grinding apparatus that can travel over the road surface while the grinding wheel is controlled by a hydraulic cylinder, allowing the grinding wheel to move up and down into the road surface to form the desired rumble strips. Dickson's expert, Chris Bailey, testified concerning the Spangler Patent and concluded that the Spangler Patent contains each and every element of claim 5 of the '069 Patent.

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The Spangler Patent contemplates an application to cut rumble strips and discloses an embodiment in which a grinding wheel that attaches to a hydraulic cylinder is used to remove the surface of the road. The operator is able to control the hydraulic cylinder which in turn alters the vertical position of the grinding wheel. Moreover, PET's expert opined that if the jury concludes that one of ordinary skill in the art would read the Spangler Patent to teach moving the cutting head above the road surface then the Spangler Patent anticipates claim 5. There is substantial evidence indicating that a person of ordinary skill in the art would understand that the Spangler Patent discloses moving the cutting head above the road surface via the hydraulic cylinder. As such, the Spangler Patent anticipates claim 5 of the '069 Patent.

Thus, this court affirms the district court's decision to uphold the jury verdict that claim 5 of the '069 Patent is invalid.

IV.

Because inequitable conduct ultimately falls within the discretion of the district court, this court reviews that determination for an abuse of discretion. *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988) (en banc). The trial court's factual findings on the issues of materiality and intent, however, are reviewed for clear error. *Id.* Where a court premises its inequitable conduct determination upon clearly erroneous findings of materiality and/or

intent, it constitutes an abuse of discretion and this court must reverse. *Impax Labs., Inc. v. Aventis Pharms.*, 468 F.3d 1366, 1375 (Fed. Cir. 2006).

To find a patent unenforceable due to inequitable conduct, the accused infringer must present clear and convincing evidence that the applicant (1) made an affirmative misrepresentation of material fact, failed to disclose material information, or submitted false material information, and (2) intended to deceive the PTO. *Cargill, Inc. v. Canbra Foods, Ltd.*, 476 F.3d 1359, 1363 (Fed. Cir. 2007). A determination based solely on one part of the test is legally erroneous. *Id.*

"Information is material when a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent." *Star Scientific*, 537 F.3d at 1367 (quoting *Symantec Corp. v. Computer Assocs. Int'l, Inc.*, 522 F.3d 1279, 1297 (Fed. Cir. 2008)). For instance, information concealed from the USPTO may be material even if it does not invalidate the patent. *Li Second Family Ltd. P'ship v. Toshiba Corp.*, 231 F.3d 1373, 1380 (Fed. Cir. 2000). But an otherwise material reference is not material if it is merely cumulative to, or less relevant than, information already considered by the examiner. *See Digital Control, Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1319 (Fed. Cir. 2006).

Moreover, "materiality does not presume intent, which is a separate and essential component of inequitable conduct." *GFI, Inc. v. Franklin Corp.*, 265

F.3d 1268, 1274 (Fed. Cir. 2001). The alleged infringer must prove with clear and convincing evidence that the patentee concealed the material information with the specific intent to mislead or deceive the USPTO. *Star Scientific*, 537 F.3d at 1366. And even gross negligence is insufficient to prove intent to deceive. *Kingsdown*, 863 F.2d at 876. "In a case involving nondisclosure of information, clear and convincing evidence must show that the applicant *made a deliberate decision* to withhold a known material reference." *Star Scientific*, 537 F.3d at 1366 (quoting *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1181 (Fed. Cir. 1995)).

In this case, the district court denied Dickson's motion to amend its complaint to add the issue of inequitable conduct during reexamination. Relying on the district court's earlier ruling, PET did not fully prepare the issue for trial. Then, despite PET's motion in limine and repeated objection, the district allowed the issue to be presented at trial. The district court's inconsistent orders prejudiced PET and denied it the opportunity to adequately defend against the allegation of inequitable conduct at trial. For instance, PET was denied the opportunity to introduce evidence of good faith, which militates against a finding of deceptive intent. *See, e.g., Larson Mfg. Co. of S.D. v. Aluminart Products Ltd.*, 559 F.3d 1317, 1341 (Fed. Cir. 2009).

The district court's contradicting positions undermine the legitimacy of its ruling on inequitable conduct. This court cannot say with confidence that the record regarding inequitable conduct is not incomplete.

Thus, this court vacates the district's decision on the issue of inequitable conduct and remands to provide an opportunity to fully develop the record regarding inequitable conduct. Further, this Court vacates the award of attorney fees premised on inequitable conduct as premature.

On remand, in order to prevail, Dickson must prove, by clear and convincing evidence that PET failed to disclose material information to the USPTO and intent to deceive the USPTO. *See Star Scientific*, 537 F.3d at 1366. The materiality prong and the intent prong are separate components of the inequitable conduct and must be independently satisfied. *Id.* Materiality does not presume intent and in the case of omission of material information, possession of the material references alone is insufficient to prove intent. *Larson*, 559 F.3d at 1341. Rather, there must be clear and convincing evidence that PET intended to deceive or mislead the USPTO. *Id.*

This court has long recognized that "the habit of charging inequitable conduct in almost every major patent case has become an absolute plague." *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988). Given the severe consequences of unenforceability when it is imposed on a patent, it is paramount that the district court exercise necessary caution to ensure that the patent owner met its burden of proof with respect to both the materiality and deceptive intent.

V.

Because substantial evidence supports the jury verdict that claim 5 of the '069 Patent is invalid due to anticipation or obviousness, this court affirms in part. However, this court vacates the district court's finding that the '069 is unenforceable due to inequitable conduct during reexamination and vacates the award of attorney fees premised on inequitable conduct. This court remands in order to create a complete record and provide PET an opportunity to defend against Dickson's allegation of inequitable conduct.

AFFIRMED IN PART, VACATED IN PART, AND REMANDED

APPENDIX B — JUDGMENT OF THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF OKLAHOMA DATED APRIL 22, 2008

IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF OKLAHOMA

Case No. **CIV-02-467-HE**

DICKSON INDUSTRIES, INC.,
an Oklahoma corporation,

Plaintiff,

v.

PATENT ENFORCEMENT TEAM, L.L.C.,
a Florida limited liability company,

Defendant.

v.

MIDSTATE TRAFFIC CONTROLS, INC., an Oklahoma corporation; and SAWHORSE INVESTMENTS, L.L.C., an Oklahoma limited liability company,

Third-Party Defendants.

Appendix B

FINAL JUDGMENT

Pursuant to the jury verdict entered September 28, 2007, and the parties' post trial motions upon which the Court has ruled, the Court enters final judgment in favor of Dickson Industries, Inc. ("Dickson"), Midstate Traffic Controls, Inc. ("Midstate"), and Sawhorse Investments, L.L.C. ("Sawhorse"), and against Patent Enforcement Team, L.L.C. ("PET"), as follows:

1. Judgment is entered in favor of Dickson, Midstate and Sawhorse on their claim to have Claim 5 of U.S. Patent No. 4,701,069 (the " '069 Patent") declared invalid due to anticipation or obviousness, and Claim 5 is hereby declared invalid.

2. Judgment is entered in favor of Dickson, Midstate and Sawhorse on their claim to declare the '069 Patent unenforceable due to inequitable conduct, and the '069 Patent is hereby declared unenforceable due to inequitable conduct.

3. By reason of the determination of invalidity of Claim 5 of the '069 Patent, judgment is entered in favor of Dickson and Midstate and against PET on PET's claims and counterclaims for infringement and inducement of infringement.

4. Judgment is entered in favor of Sawhorse and against PET on PET's claims for inducement of infringement of Claim 5 of the '069 Patent.

5. Judgment is entered in favor of Dickson on Dickson's claims that PET tortiously interfered with Dickson's business relationships, and Dickson is awarded actual damages from PET in the amount of Five Hundred Three Thousand Eight Hundred Seventy-three and 00/100 Dollars ($503,873.00).

6. Judgment is entered in favor of Dickson on its claim for punitive damages, and Dickson is awarded punitive damages from PET in the amount of One Million Thirty-seven Thousand Three Hundred Sixty-three and 00/100 Dollars ($1,037,363.00).

7. Pursuant to 35 U.S.C. § 285, this is an exceptional case, and Dickson is awarded attorney's fees and expenses in the amount of Six Hundred Eighteen Thousand Four Hundred Eighty-four and 45/100 Dollars ($618,484.45) for attorney's fees and expenses incurred through November 30, 2007.

8. In accordance with the foregoing, Dickson is awarded total judgment in its favor in the amount of Two Million One Hundred Fifty-Nine Thousand Seven Hundred Twenty and 45/100 Dollars ($2,159,720.45).

9. Dickson is granted post judgment interest on the damages it was awarded on November 16, 2007 of $1,541,236.00 at the rate allowed by law, from November 16, 2007 until paid.

10. Dickson is also granted post judgment interest at the rate allowed by law on its attorney fees, costs, and expenses in the amount $618,484.45 awarded on April 3, 2008, and accruing from April 3, 2008 until paid.

11. Dickson may enforce its judgment ten days after entry of this Final Order. Execution on the judgment will be stayed upon the posting by PET and approval by the court of a supersedeas bond in the amount of the judgment, excluding any consideration of accruing interest thereon.

This is the Final Judgment. It may be amended to reflect attorney's fees and costs incurred by Dickson after November 30, 2007 and to reflect interest accrued as specified above until paid.

IT IS SO ORDERED this 22ND day of April, 2008.

s/ Joe Heaton
HONORABLE JOE HEATON
UNITED STATES DISTRICT JUDGE

APPENDIX C — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF OKLAHOMA DATED APRIL 3, 2008

IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF OKLAHOMA

NO. CIV-02-0467-HE

DICKSON INDUSTRIES, INC.,

Plaintiff,

vs.

PATENT ENFORCEMENT TEAM, LLC, ET AL.,

Defendants.

ORDER

Plaintiff Dickson Industries, Inc. ("Dickson") has filed a motion asking the court to find, as a matter of law, (1) that James Whitney, the inventor of U.S. Patent No. 4,701,069 (the " '069 Patent") engaged in inequitable conduct before the United States Patent and Trademark Office ("PTO") during the original prosecution of the patent and (2) that Patent Enforcement Team, LLC ("PET") and/or its lawyers engaged in inequitable conduct during the reexamination of the patent. The motion has been fully briefed.

Appendix C

BACKGROUND

At issue in this case is the '069 Patent, which relates to a process of cutting rain grooves in the surface of a road. The patent was originally issued to Mr. Whitney who later sold it to PET. Dickson, which manufactured and sold machines used to cut "rumble strips," filed suit seeking to declare the '069 Patent invalid and/or unenforceable. PET asserted a counterclaim of infringement against Dickson.[1] While this litigation was ongoing, a reexamination of the '069 Patent was initiated. The court stayed this litigation pending the reexamination determination. A reexamination certificate was issued on April 11, 2006, confirming Claims 1-7, cancelling Claims 8-13, and adding Claim 14. These proceedings recommenced and, after trial, a jury returned a verdict in favor of Dickson, finding Claim 5 of the '069 Patent invalid due to anticipation or obviousness. The jury also found that PET had tortiously interfered with Dickson's business relationships and awarded it both compensatory and punitive damages.

INEQUITABLE CONDUCT STANDARD

"To hold a patent unenforceable due to inequitable conduct, there must be clear and convincing evidence that the applicant (1) made an affirmative misrepresentation of material fact, failed to disclose material information, or submitted false material

1. Other parties, not relevant to the determination at issue here, were also named by PET.

information, and (2) intended to deceive the U.S. Patent and Trademark Office . . ." *Cargill, Inc. v. Canbra Foods, Ltd.*, 476 F.3d 1359, 1363-64 (Fed. Cir. 2007). "If a district court finds that the requirements of materiality and intent have been established by clear and convincing evidence, it must then balance the equities to determine whether the patentee has committed inequitable conduct that warrants holding the patent unenforceable. Under the balancing test, [t]he more material the omission or the misrepresentation, the lower the level of intent required to establish inequitable conduct, and vice versa." *Id.* (internal quotation and citation omitted).

A. Materiality

For an initial prosecution, the "reasonable examiner" standard is applied to determine whether the misrepresentation or omission is material. Under this standard, "information is material where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent." 37 C.F.R. § 1.56(a) (1991); *see Digital Control, Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1316 (Fed. Cir. 2006) (holding that the "reasonable examiner" standard was not supplanted by the PTO's adoption of a narrower standard of materiality in the current version of 37 C.F.R. § 1.56 and thus the "reasonable examiner" standard continues to be a valid measure of materiality).[2]

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2. The Federal Circuit also concluded that three other tests of materiality, derived from case law, continue to be valid. *Digital Control, Inc.*, 437 F.3d at 1316.

Appendix C

For a re-examination proceeding, information is material

> when it is not cumulative to information of record or being made of record in the reexamination proceeding, and (1) [i]t is a patent or printed publication that establishes, by itself or in combination with other patents or printed publications, a prima facie case of unpatentability of a claim; or (2) [i]t refutes, or is inconsistent with, a position the patent owner takes in (I) [o]pposing an argument of unpatentability relied on by the Office, or (ii) [a]sserting an argument of patentability.
>
> A prima facie case of unpatentability of a claim pending in a reexamination proceeding is established when the information compels a conclusion that a claim is unpatentable under the preponderance of evidence, burden-of-proof standard, giving each term in the claim its broadest reasonable construction consistent with the specification, and before any consideration is given to evidence which may be submitted in an attempt to establish a contrary conclusion of patentability.

37 C.F.R. § 1.555(b).

B. Intent

"The intent element of inequitable conduct requires that the involved conduct, viewed in light of all the evidence, including evidence indicative of good faith, must indicate sufficient culpability to require a finding of intent to deceive. Intent rarely can be, and need not be, proven by direct evidence. Instead, an intent to deceive is usually inferred from the facts and circumstances surrounding the conduct at issue." *Cargill, Inc.*, 476 F.3d at 1364 (internal quotation and citation omitted). "Intent is easily inferred when . . . an applicant makes arguments to the PTO that it knows, or obviously should have known, are false in light of information not before the examiner, and the applicant knowingly withholds that additional information." *Monsanto Co. v. Bayer Bioscience N.V.*, 541 F.3d 1229, 1241 (Fed.Cir. 2008) (citing *Cargill, Inc.*, 476 F.3d at 1368).

DISCUSSION

I. Inequitable Conduct During the Initial Prosecution

Dickson argues that, during the initial prosecution of the '069 Patent, Mr. Whitney committed inequitable conduct when he failed to disclose his knowledge of the rumble strips he observed in Florida[3] and the operation

3. While PET asserts that Mr. Whitney did disclose that he had observed the rumble strips, Mr. Whitney did not disclose his belief that the strips were made in a continuous fashion.

of the Modified Target Saw. The court concludes that these omissions were material. Mr. Whitney asserted, during the initial prosecution, that the prior art suffered the drawback of not being capable of operation in a continuous manner and that Claim 5 of the '069 Patent was unique because it did involve continuous operation. Therefore, Whitney's knowledge of the Florida rumble strips and the Modified Target Saw, which both involved continuous movement,[4] was material under the reasonable examiner standard.

However, the court is not persuaded that Dickson has shown, by clear and convincing evidence, that Mr. Whitney had the requisite intent to deceive the PTO. While Mr. Whitney believed the Florida rumble strips were cut automatically, he testified that they were in the shoulder of the road. His explanation as to why he did not disclose the existence of these rumble strips — that his patent did not extend to the shoulder — is a plausible explanation and the court generally found his testimony credible. As to the operation of the Modified

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4. While PET asserts that Mr. Whitney did not know whether the Florida rumble strips were cut in a continuous manner, suficient evidence was presented at trial to establish that he believed, based upon his observation and experience, the cuts were made in an "automatic" fashion. Therefore, Mr. Whitney knew there was some kind of machine in the prior art that could make continuous cuts. PET also contends that Mr. Whitney was not aware of the Modified Target Saw. However, Mr. Whitney testified as to the operation of a substantially similar saw (with a larger wheel) operated by the Swanston Equipment Company.

Target Saw, it is not clear that Mr. Whitney would have understood the impact of an operation for de-glazing the blades. Therefore, the court concludes that Dickson has not met its burden of proving, by clear and convincing evidence, that Mr. Whitney engaged in inequitable conduct before the PTO as to the initial prosecution. Dickson's motion is denied insofar as it seeks a finding of inequitable conduct based on the initial '069 patent prosecution.

II. Inequitable Conduct During the Reexamination Proceeding

Dickson asserts that PET's and its attorneys' failure to disclose, during the reexamination proceeding, (1) United States Patent No. 4473319 (the "Spangler Patent"); (2) the affidavits of Glenn Shed, Jeff Arnswald, and Charles Thompson and a video and photographs of the Modified Target Saw in operation; and (3) Mr. Whitney's observation of the Florida Rumble Strips and the Modified Target Saw and his intent that Claim 5 not cover cuts made in the shoulder of the road constitute inequitable conduct.

A. Threshold Determination as to Materiality and Intent

1. The Spangler Patent

The court concludes that the omission of the Spangler Patent was material and highly so. Christopher Bailey, Dickson's expert witness who had an extensive

work history in highway construction, testified that the Spangler Patent contains all of the elements of Claim 5 of the '069 Patent.[5] Kristin Wood, PET's expert and a professor of mechanical engineering, stated that the Spangler Patent had most of the elements of the '069 Patent and that it is "probably pretty correct" to say that it is the most important and the closest prior art to the '069 Patent. Mark Zylka, one of the attorneys who represented PET in the re-examination proceeding, testified that, while he did not know whether the Spangler Patent really was a material reference, he would have submitted it to the PTO had he been aware of it. Based upon the foregoing testimony, the court concludes that the Spangler Patent, especially when considered with other prior art in the form of patents and printed publications presented at trial, establishes a prima facie case of obviousness, if not anticipation.[6] The court's conclusion is supported by the jury's finding that Claim 5 of the '069 Patent is invalid based on anticipation or obviousness. Further, the Spangler Patent had been disclosed to PET in the course of related litigation, the *Dustrol* case, which created an independent duty for disclosing it. *See* Manual of Patent Examining Procedure ("MPEP") §§ 2001.06(c) & 2014.

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5. PET states that Mr. Bailey later recanted this statement, however, PET's citations to the trial transcript do not bear this out.

6. Given the testimony that the Spangler Patent was, at the least, the most important and closest reference, the court is unpersuaded by PET's argument that it was cumulative of information of record.

Appendix C

The court also concludes that PET and/or its counsel withheld the Spangler Patent with the intent to deceive the PTO. As noted above, the nature of the Spangler Patent was such that it was not only material to the determination of patentability, but was highly material. Concerns with the obviousness of Claim 5 led to its initial rejection on reexamination. Prior art that was "closest" to the '069 Patent would have been likely to have a substantial impact on the examiner's ultimate determination. The failure to disclose such information, which was clearly known to PET's counsel, is strongly suggestive of intent to deceive.

The court is unpersuaded by PET's proffered reason for its omission — that counsel requested their secretary to retrieve the *Dustrol* files and all she brought back was the settlement agreement and not the remainder of the file which contained the Spangler Patent. Certainly, PET's counsel should have known that further pertinent information was contained in the *Dustrol* files. *Dustrol*, which examined the validity of the same patent at issue here, was an involved case that would have produced significantly more paperwork than just a settlement agreement. The Spangler Patent had been important evidence in the case. It had been produced to PET's lead counsel and its importance had been discussed in answers to interrogatories. Further, Mr. Zylka testified that the addition of Claim 14 during the reexamination was motivated, in part, by concerns stemming from *Dustrol*. It is highly implausible to think that attorneys who were familiar with the *Dustrol* case would have ended their inquiry into its files with the

settlement agreement. This is especially so where these same attorneys have been extraordinarily careful in other aspects of this case — including engaging in significant hairsplitting as to their disclosure of the Shed and Arnswald affidavits.[7] *See Nilssen v. Osram Sylvania, Inc.*, 504 F.3d 1223, 1235 (Fed. Cir. 2007) (holding excuse of inadvertence inadequate to escape finding of inequitable conduct where there were "repeated attempts to avoid playing fair and square with the patent system"). It is also worthy of note that PET did not submit any additional information to the PTO in connection with the reexamination, and PET and its counsel, of course, had a substantial financial incentive to ensure the continuing validity of the patent. Taking all these factors together, the court concludes the failure to disclose the Spangler Patent was both material and done with the intent to deceive the PTO.

2. Affidavits of Mr. Shed, Mr. Arnswald, and Mr. Thompson and the video and photos of the operation of the Modified Target Saw

The court likewise concludes that the withholding of the affidavits of Mr. Shed, Mr. Arnswald, and Mr. Thompson and the video and photos of the operation of the Modified Target Saw was material. While PET's attorneys did disclose the existence (though not the content) of the Shed and Arnswald affidavits (but not

7. During the reexamination, PET's attorneys described these afidavits as hearsay instead of describing their content or submitting them.

the Thompson affidavit) and the Modified Target Saw, they represented that these items were hearsay and/or immaterial to the patentability of the '069 Patent. They plainly were not immaterial. As noted above, during the reexamination, the examiner initially rejected Claim 5 of the '069 Patent for obviousness. PET argued that the prior art did not render Claim 5 obvious because the prior art did not involve continuous forward motion while simultaneously making cuts. The affidavits along with the video and photos of the Modified Target Saw were directed to this very issue and demonstrate that the prior art did include continuous motion forward while simultaneously making grooves.[8] Further, the affidavits and the video and photos had been produced to PET during related litigation, which created an independent duty for disclosing them. *See* MPEP §§ 2001.06(c) & 2014.

The court concludes that the omission of these affidavits, video, and photos was done with the intent to deceive. The court is unpersuaded by PET's explanation that it thought them to be immaterial, especially given the overall pattern of its failure to disclose other material information, its failure to submit any additional information during the reexamination, and its substantial financial incentive to ensure the continuing validity of the patent. The court also notes that the Thompson affidavit was the first material produced to PET during the course of the *Dustrol* litigation. Thus,

8. The court rejects PET's suggestion that this information was cumulative, as it related to an aspect which PET claimed was absent from the prior art.

the failure to disclose the affidavits, video, and photos was both material and done with the intent to deceive the PTO.

3. Mr. Whitney's knowledge of the Florida rumble strips and the Modified Target Saw and his intention that the '069 Patent not cover rumble strips

With respect to Mr. Whitney's knowledge of the Florida rumble strips, it is not clear that PET or its attorneys were aware of this information prior to or during the reexamination. Glen Thomas, the owner, with his wife, of PET, testified that he did not know about Mr. Whitney's observations until he read Mr. Whitney's deposition. The reexamination certificate was issued on April 11, 2006 and Mr. Whitney's deposition was taken on April 12, 2006. Therefore, PET and its attorneys were under no duty to disclose this information during the reexamination. MPEP § 2280.

As to Mr. Whitney's intent that the '069 Patent not cover cuts in the shoulder, the court concludes that this information was material to the reexamination proceeding. While it is clear that the intent of the inventor is not determinative of claim interpretation, *Intellicall, Inc. v. Phonometrics, Inc.*, 952 F.2d 1384, 1387 (Fed. Cir. 1992); *Waterloo Furniture Components, Ltd. v. Haworth, Inc.*, 798 F.Supp. 489, 495 (N.D Ill. 1992), it does not necessarily follow that such information could not be material in a reexamination proceeding, *see Oscar Mayer Foods Corp. v. ConAgra, Inc.*, Nos.

94-1247 & 94-1248, 1994 WL 712488, *3 (Dec. 22, 1994) (unpublished) (considering inventor's subjective purpose when making obviousness determination). However, the court also concludes that Dickson has not shown, by clear and convincing evidence, this omission was done with the intent to deceive the PTO. PET's and its attorneys' stated belief that evidence of the subjective intent of the inventor was not relevant to the reexamination, because it is not relevant to claim interpretation is a plausible explanation for its failure to disclose this information.

The court concludes that the omission of Mr. Whitney's knowledge of the Modified Target Saw during the reexamination was material. During the reexamination, PET reiterated the assertion that the prior art suffered the drawback of not being capable of operation in a continuous manner and that Claim 5 of the '069 Patent was unique because it did involve continuous operation. Therefore, PET's failure to disclose Mr. Whitney's knowledge of the Modified Target Saw, which involved continuous movement, was material. The court further concludes that this omission was done with the intent to deceive. As with the previous discussion of the various affidavits, the court is unpersuaded by PET's explanation that it viewed the information as immaterial, given the nature of the information, the overall pattern of PET's failure to disclose material information, its failure to submit any additional information during the reexamination, and its substantial financial incentive to ensure the continuing validity of the patent. Thus, the failure to

disclose this information was both material and done with the intent to deceive the PTO.

B. Balancing of the Equities

The court concludes that the omissions that occurred during the reexamination were highly material. The materiality of the Spangler Patent is particularly high inasmuch as, according to both parties' experts, it was, at the least, the most important and closest prior art to the '069 Patent. The further omissions as to the affidavits, video, photos, and Mr. Whitney's knowledge of the Modified Target Saw are also highly material given the examiner's initial conclusion as to obviousness with respect to Claim 5 and because they directly contradict the exact arguments made by PET during the reexamination proceeding.

Likewise, the degree of the intent to deceive is relatively high. With respect to the Spangler Patent, PETs' proffered reason for not submitting it to the PTO lacks credibility under the circumstances of this case. Further, its only explanation for not submitting the other information — that it was not material — is unreasonable and wholly unpersuasive.

Because of the high level of materiality of the omissions and the high level of the intent to deceive, the court concludes that the '069 Patent should be unenforceable due to inequitable conduct during the

reexamination proceeding.[9] *See Baxter Int'l, Inc. v. McGraw, Inc.*, 149 F.3d 1321, 1332 (Fed. Cir. 1998) ("[I]nequitable conduct with respect to one claim renders the entire patent unenforceable.")

Accordingly, Dickson's motion to declare the '069 Patent unenforceable [Doc. # 293] is **GRANTED** insofar as it seeks a determination that the patent is unenforceable due to inequitable conduct during the reexamination proceeding.

IT IS SO ORDERED.

Dated this 3rd day of April, 2008.

s/ Joe Heaton
JOE HEATON
UNITED STATES DISTRICT JUDGE

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9. PET asks that the court conclude in its findings that any matters constituting inequitable conduct were the fault of PET's attorneys, but not PET itself. The court declines to make any such finding, as those issues are not appropriate for resolution here. The evidence suggested substantial knowledge of and involvement in the various proceedings by PET's principals, so resolution of any issue as between PET and its attorneys must necessarily occur elsewhere.

APPENDIX D — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF OKLAHOMA DATED APRIL 3, 2008

IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF OKLAHOMA

NO. CIV-02-0467-HE

DICKSON INDUSTRIES, INC.,

Plaintiff,

vs.

PATENT ENFORCEMENT TEAM, LLC, ET AL.,

Defendants.

ORDER

Defendant Patent Enforcement Team, L.L.C. ("PET") has filed (1) a renewed motion for judgment as a matter of law or, alternatively, for remittitur or a new trial regarding tortious interference and damages [Doc. # 294], (2) a renewed motion for judgment as a matter of law regarding inequitable conduct, lack of equivalency, and an exceptional case [Doc. # 296], and (3) a renewed motion for judgment as a matter of law or, alternatively, for a new trial regarding validity and willful infringement [Doc. #298]. These motions have been fully briefed by the parties. PET has also filed a motion seeking reconsideration of the court's *Markman* order [Doc. #323].

Appendix D

The standard for granting a renewed Rule 50 motion for judgment as a matter of law is, appropriately, a high one. Such a motion should be granted only where " 'the evidence points but one way and is susceptible to no reasonable inferences' " supporting the jury's verdict. *Weese v. Schukman,* 98 F.3d 542, 547 (10th Cir. 1996) (quoting *Ralston Dev. Corp. v. United States,* 937 F.2d 510, 512 (10th Cir. 1991)); *see also Union Carbide Chem. & Plastics Tech. Corp. v. Shell Oil Co.,* 425 F.3d 1366, 1372 (Fed. Cir. 2005) ("The grant or denial of a motion for judgment as a matter of law is a procedural issue not unique to patent law, reviewed under the law of the regional circuit in which the appeal from the district court would usually lie.") (internal quotation omitted). The court is required to view the evidence and draw all inferences in favor of the jury's verdict. It does not weigh the evidence or substitute it's judgment for that of the jury. *Lucas v. Dover Corp. Norris Div.,* 857 F.2d 1397, 1400 (10th Cir. 1988).

Under Rule 59(a), the court may grant a new trial "for any of the reasons for which new trials have heretofore been granted in actions at law in the courts of the United States." The court has broad discretion when ruling on a motion for a new trial. *Brownlow v. Aman,* 740 F.2d 1476, 1491 (10th Cir. 1984); *see also Northpoint Tech., Ltd. v. MDS America,* 413 F.3d 1301, 1310-11 (Fed. Cir. 2005) ("Because the right to a new trial is a procedural issue not unique to patent law, the applicable law is the law of the regional circuit to which an appeal would lie in a non-patent case.")

Appendix D

With respect to defendant's motion regarding tortious interference and damages, the court concludes that defendant's request for a new trial based on allegedly incorrect jury instructions as to the tortious interference claim should be denied. Not only did the defendant fail to raise its current complaints as to the jury instruction during the instruction conference, it also requested that the court give an instruction which is substantially similar to the one it now complains of. *Compare* defendant's proposed jury instructions [Doc. # 192], p. 71-3, *with* the court's jury instructions [Doc. # 253], p. 60-3. Because of the invited-error doctrine or, potentially, the doctrine of waiver, defendant cannot now complain that the court adopted an instruction that is functionally equivalent to one that it requested. *See United States v. Fields*, 516 F.3d 923 (10th Cir. 2008) (declining to review alleged error because it was invited where jury instructions and verdict form that were given by court were functionally the same as those requested by defendant); *Wilkins v. Packerware Corp.*, No. 06-3400, 2008 WL 63482 (10th Cir. Jan. 7, 2008) (noting that alleged error was invited error where defendant's proposed jury instruction contained virtually identical elements as those in court's instruction and insubstantial difference was not objected to);[1] *see also Embrex, Inc. v. Service Eng'g Corp.*, 216 F.3d 1343, 1350 (Fed. Cir. 2000) ("Preservation of appeal rights is a procedural issue, for which this court looks to the law of the regional circuit . . .").

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1. Wilkins is an unpublished decision cited for persuasive value only under 10th Cir. R. 32.1(A).

As to defendant's argument regarding whether its conduct was "objectively baseless" or in bad faith or intentional, malicious, or wrongful, the court concludes that the jury verdict is supported by sufficient evidence presented at trial. The court likewise determines that the amount of actual and punitive damages awarded by the jury finds sufficient support in the evidence.[2] The court is unpersuaded that the award of punitive damages violates the Oklahoma statute. The jury was properly instructed as to awarding punitive damages pursuant to 23 Okla. Stat. § 9.1 and its award complies with those statutory provisions.[3] The court also cannot agree that the punitive damage award contravenes the Due Process Clause of the Fourteenth Amendment. The guideposts for evaluating the constitutionally of a punitive damages award are "the 'reprehensibility' of the defendant's conduct; the ratio between punitive damages and the actual or potential harm suffered; and the difference between the punitive damage award and the civil and criminal penalties available for comparable conduct." *Fed. Deposit Ins. Corp. v. Hamilton*, 122 F.3d 854, 861 (10th Cir. 1997) (citing *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559 (1996)). Here, the first two factors weigh in favor of concluding the award is constitutional

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2. The jury returned a verdict in favor of Dickson on its tortious interference claim and awarded it $503,873 in actual damages and $1,037,363 in punitive damages.

3. Defendant's assertion that the jury failed to consider the factors identified in § 9.1(A) is wholly speculative. The jury was clearly instructed as to these factors and defendant has presented no plausible basis for concluding that the jury did not consider them.

and, as defendant concedes, the third is not relevant. Ample evidence was presented to the jury for it to find that defendant acted in bad faith. Further, the ratio between punitive and actual damages here is approximately 2:1. Accordingly, defendant's motion regarding tortious interference and damages [Doc. # 294] is denied.

As for defendant's motion regarding inequitable conduct, lack of equivalency, and an exceptional case, the court concludes this motion should also be denied. There is no basis for altering the court's prior determination as to the doctrine of equivalents. Further, for the reasons stated in the court's orders addressing Dickson's motion for a ruling on inequitable conduct and motion for attorney's fees, the court has determined that defendant and/or its attorneys engaged in inequitable conduct and that, therefore, this is an exceptional case. The court denies defendant's motion as to inequitable conduct, lack of equivalency, and an exceptional case [Doc. # 296].

With respect to defendant's motion as to validity and willful infringement, the court concludes that sufficient evidence was presented at trial for the jury to rationally find that Claim 5 of the U.S. Patent No. 4,701,069 (the "'069 Patent") is invalid based on either anticipation or obviousness. Therefore, the court declines the defendant's request for the court to determine as a matter of law that the 160 feet of infringement by Midstate Traffic Controls, Inc. was willful. As to defendant's argument that it is entitled to

a new trial because improper jury instructions were given, the court is unpersuaded by defendant's summary assertions as to the corroboration, obviousness, and inherency instructions. The court also finds defendant's argument as to the instructions concerning independent inventions and the reexamination standard, both inappropriately raised for the first time in its reply brief,[4] meritless. Further, the court notes that it did provide the jury with an instruction as to claim construction that is identical to the language of its *Markman* order. Defendant's motion as to validity and willful infringement [Doc. # 298] is denied.

Accordingly, defendant's motions [Doc. Nos. 294, 296, & 296] and Dickson, Midstate, and Sawhorse's motion to strike [Doc. #321] are **DENIED.**

The court is unpersuaded by PET's current effort to revisit the *Markman* order. Its motion to reconsider [Doc. # 323] is therefore **DENIED.**

IT IS SO ORDERED.

Dated this 3rd day of April, 2008.

s/ Joe Heaton
Joe Heaton
UNITED STATES DISTRICT JUDGE

4. Dickson, Midstate, and Sawhorse have filed a motion to strike the portion of defendant's reply brief that raises new arguments. Because the court has found these arguments to be meritless, the court declines to do so. Accordingly, the motion to strike [Doc. #321] is denied.

APPENDIX E — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF OKLAHOMA DATED APRIL 3, 2008

IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF OKLAHOMA

NO. CIV-02-0467-HE

DICKSON INDUSTRIES, INC.,

Plaintiff,

vs.

PATENT ENFORCEMENT TEAM, LLC, ET AL.,

Defendants.

ORDER

Plaintiff Dickson Industries, Inc. ("Dickson") has filed a motion seeking an award of attorney fees in the amount of $618,484.45.[1] Dickson seeks the fee award on the basis of 35 U.S.C. § 285, which provides for attorney fees to be awarded to the prevailing party

1. In its motion, Dickson requests an award in the amount of $649,658.77, which represents $589,182.72 in attorney fees and $60,476.05 in allowable expenses incurred up to November 30, 2007. Subsequent to the filing of Dickson's motion, the court clerk taxed costs in the amount of $31,174.32. As Dickson notes in its motion, p. 17, n.6, it is appropriate to subtract the amount of costs taxed from the total award sought in this motion. The court has done so.

"in exceptional cases," and as part of a damage award on its successful tortious interference claim. The motion has been fully briefed.

In patent actions, "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." § 285. Here, Dickson is the prevailing party. Dickson was successful on its bid to have Claim 5 of U.S. Patent No. 4,701,069 declared invalid and to have the entire patent determined unenforceable due to inequitable conduct. Dickson also prevailed on its tortious interference claim and received an award of both compensatory and punitive damages. *See Buckhannon Bd. & Care Home, Inc. v. West Virginia Dep't of Health & Human Res.*, 532 U.S. 598, 603 (2001) (quoting Black's Law Dictionary 1145 (7th ed. 1999) for the definition of "prevailing party" as "[a] party in whose favor a judgment is rendered, regardless of the amount of damages awarded . . ."). The court concludes this is an exceptional case because, as stated in the court's order as to inequitable conduct, Dickson has shown by clear and convincing evidence that PET and/or its attorneys engaged in inequitable conduct before the Patent and Trademark Office during the reexamination proceeding. *Brassler, U.S.A. I, L.P. v. Stryker Sales Corp.*, 267 F.3d 1370, 1380 (Fed. Cir. 2001) ("The prevailing party may prove the existence of an exceptional case by showing: inequitable conduct before the PTO . . .") (citing *Hoffmann-La Roche, Inc. v. Invamed Inc.*, 213 F.3d 1359, 1365 (Fed. Cir. 2000)). Further, as PET tacitly concedes, the attorney fee award

sought here is reasonable.[2] This case was complex and protracted. Also, the rates charged by Dickson's counsel appear to be in line with those reported in the American Intellectual Property Association's Report of the Economic Survey for 2007.[3] Accordingly, pursuant to § 285, the court awards Dickson fees and expenses in the amount of $618,484.45.

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2. PET does not argue that the amount requested is unreasonable. Instead PET suggests that the court should only award those fees and expenses which Dickson actually paid, instead of those just billed. PET's reliance on *Mathis v. Hydro Air Indus., Inc.*, 1 U.S.P.Q.2d 1513, 1531 (C.D.Cal. 1986), does not support its position. The court in *Mathis* stated that "[a]ctual billings may be used as a basis for determining the amount to be awarded as reasonable attorney's fees," but does not suggest that is the only basis for establishing a reasonable fee. Here, Dickson's counsel has stated that the amount it seeks has been incurred and billed to Dickson.

3. Dickson calculates the total amount of attorney fees billed through November 30, 2007 as follows:

Attorney/Paralegal	**Hours Billed**	**Hourly Rate**	**Fees**
John Kenney (Shareholder)	1000	305.65	$305,651.90
Michael McClintock (Shareholder)	724.3	193.51	$140,161.92
Anthony Rahhal (Shareholder)	87.3	247.45	$21,602.62
Charles McLawhorn, III (Associate)	204.9	167.22	$34,263.00

(Cont'd)

Appendix E

The court concludes that Dickson is not entitled to an award of fees as part of a damage award on its

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(Cont'd)

Attorney/Paralegal	Hours Billed	Hourly Rate	Fees
Andrew Peterson (Associate)	233.7	136.17	$31,822.50
Jennifer Rader (Associate)	17.1	125.00	$2,137.50
Jeremiah Buettner (Associate)	6.4	150.00	$960.00
Michelle Brunner (Paralegal)	17.6	69.20	$1,218.00
Glenda Holden (Paralegal)	2.8	93.57	$262.00
Sephy Palmerton (Paralegal)	218	88.97	$19,396.50
Teresa Purcell (Paralegal)	0.5	80.00	$40.00
Dianna Peters (Paralegal)	183	88.79	$16,248.78
Rhonda Melton (Paralegal)	279.9	54.77	$15,330.00
Marcy Ellington (Paralegal)	1.1	80.00	$88.00
TOTAL			$589,182.72

tortious interference claim. "Oklahoma follows the American Rule concerning the recovery of attorney fees. It provides that each litigant pay for legal representation and that courts are without authority to assess attorney fees in the absence of a specific statute or contract. Exceptions to the Rule are narrowly defined because attorney fee awards against the non-prevailing party have a chilling effect on open access to the courts." *Stump v. Cheek*, __ P.3d __, 2007 WL 4354448, *3 (Okla. 2007). The court is unpersuaded by Dickson's assertion that 23 Okla. Stat. § 61,[4] which addresses the measure of damages for tort claims, authorizes the award of attorney fees. While Dickson relies on *Marlin Oil Corp. v. Barby Energy Corp.*, 55 P.3d 446 (Okla. Civ. App. 2002), and *St. Paul Reinsurance Com., Ltd. v. Club Servs. Corp.*, No. 01-5029, 2002 WL 203343 (10th Cir. Feb. 11, 2002) (unpublished), to support its argument, these cases are distinguishable. In both of these cases, the court held that attorney fees incurred *in a previous case* were recoverable as an element of damages. Neither case stands for the proposition that attorney fees incurred in a case may then be sought as part of the damage award in that case. Therefore, the general rule that each party must bear its own attorney fees applies.

Accordingly, Dickson's motion for an award of attorney fees [Doc. #297] is **GRANTED**, pursuant to

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4. Section 61 states "[f]or the breach of an obligation not arising from contract, the measure of damages . . . is the amount which will compensate for all detriment proximately caused thereby, whether it could have been anticipated or not."

35 U.S.C. § 285. Dickson is awarded fees and expenses in the amount of **$618,484.45.**

IT IS SO ORDERED.

Dated this 3rd day of April, 2008.

s/ Joe Heaton
Joe Heaton
UNITED STATES DISTRICT JUDGE

APPENDIX F — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF OKLAHOMA DATED APRIL 3, 2008

IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF OKLAHOMA

NO. CIV-02-0467-HE

DICKSON INDUSTRIES, INC.,

Plaintiff,

vs.

PATENT ENFORCEMENT TEAM, LLC, ET AL.,

Defendants.

ORDER

Plaintiff Dickson Industries, Inc. ("Dickson") has filed a motion seeking post-judgment interest on the damages it was awarded and post-judgment and prejudgment interest on its attorney fees, costs, and expenses. This motion has been fully briefed by the parties.

Pursuant to 28 U.S.C. § 1961, Dickson is granted post-judgment interest on the award of damages at the rate allowed by law, from November 16, 2007, the date of the judgment awarding those damages, until paid. Dickson is likewise granted post-judgment interest on its attorney fees, costs, and expenses at the rate allowed

by law, from the date of the judgment awarding those fees, costs, and expenses until paid.

Dickson also seeks prejudgment interest on its attorney fees, costs, and expenses. While the court's finding as to inequitable conduct may be a potential basis for awarding prejudgment interest, *see Mathis v. Spears*, 857 F.2d 749, 761 (10th Cir. 1988), the court concludes it does not compel that result here, taking into account that there has been no showing that the attorneys fees, while incurred, were actually paid or that interest was expected to be paid on the outstanding fee obligation. Further, given the multitude of dates by which particular portions of the fees or costs were incurred, calculation of the amounts themselves would be involved and complex. Considering these factors and the surrounding circumstances in this case, the court declines to order the payment of prejudgment interest.

Accordingly, Dickson's motion for post-judgment and prejudgment interest [Doc. #295] is **GRANTED IN PART** and **DENIED IN PART** as follows. Dickson is granted post-judgment interest on the damages it was awarded at the rate allowed by law, from November 16, 2007, until paid, and is also granted post-judgment interest on its attorney fees, costs, and expenses at the rate allowed by law, from the date of the judgment awarding them until paid. Dickson is denied prejudgment interest on its attorney fees, costs, and expenses.

Dickson is directed to prepare an appropriate proposed final judgment for submission to the court, after circulation to and approval by the parties, reflecting the final disposition of this case, including the court's disposition of this motion and of the other post-trial motions addressed by separate orders entered this date. The proposed final judgment shall be submitted to the court within ***ten (10) days*** from the date of this order.

IT IS SO ORDERED.

Dated this 3rd day of April, 2008.

s/ Joe Heaton
JOE HEATON
UNITED STATES DISTRICT JUDGE

APPENDIX G — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF OKLAHOMA DATED OCTOBER 13, 2006

IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF OKLAHOMA

NO. CIV-02-0467-HE

DICKSON INDUSTRIES, INC.,
an Oklahoma corporation,

Plaintiff,

vs.

PATENT ENFORCEMENT TEAM, L.L.C.,
a Florida limited liability company,

Defendant.

ORDER

Plaintiff manufactures and sells machines used to cut "rumble strips" in roads. It seeks to declare a portion of United States Patent No. 4,701,069 invalid and unenforceable. The patent, which relates to the process of cutting rain drainage grooves in the surface of a road, was originally issued on October 20, 1987, to James R. Whitney. Mr. Whitney subsequently sold the patent to defendant. Defendant, as owner of the patent, asserts a counterclaim of infringement against plaintiff.

Appendix G

An infringement analysis involves two steps. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 384 (1996). The first step involves construing the disputed terms of the patent and is "exclusively within the province of the court." *Id.* at 372. The second step, determining whether infringement has occurred, is a question of fact. *IMS Tech., Inc. v. Hass Auto., Inc.*, 206 F.3d 1422, 1429 (Fed. Cir. 2000). For purposes of this order, the court is concerned only with construing the patent. The parties have filed their respective *Markman* briefs related to the construction of claim 5 of the patent and the court held *a Markman* hearing on September 18, 2006.[1]

When construing the terms of a patent, the court first looks to the language of the claim itself to determine what the inventor regards as his or her invention. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005). The words of the claim "'are generally given their ordinary and customary meaning.'" *Id.* (quoting *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1582 (Fed. Cir. 1996)). In a patent case, "the ordinary and customary meaning of a claim term is the meaning that term would have to a person of ordinary skill in the art in question at the time of the invention." *Phillips*, 415 F.3d at 1313. A "person of ordinary skill in the field of the invention is deemed to read the claim term not only in the context of the particular claim in which the disputed term appears, but in the context of the entire

1. Third party defendants Midstate Traffic Controls, Inc. and Sawhorse Investments, LLC have both adopted plaintiff's proposed claim construction. [Doc. Nos. 88 and 91].

patent, including the specification." *Id.* The specification describes the invention set forth in the claims and helps to ascertain the scope of such claims. It "'is always highly relevant to the claim construction analysis' because "'it is the single best guide to the meaning of a disputed term.'" *Phillips*, 415 F.3d at 1315 (quoting *Vitronics*, 90 F.3d at 1582).

The claims of a patent "do not stand alone" but are a part of "a fully integrated written instrument." *Phillips*, 415 F.3d at 1315 (internal quotations omitted). That is why other claims of the patent, "both asserted and unasserted," also prove valuable to the interpretation of a claim term. *Id.* at 1314. Normally, claim terms are used consistently throughout the patent and a term's use in one claim can shed light on its meaning in another claim. *Id.*

In addition to the patent document itself, the court may also consider the patent's prosecution history, if it is in evidence. *Id.* at 1317. This history consists of the entire record before the United States Patent and Trademark Office ("PTO") and "includes the prior art cited during the patent exam." *Id.* The prosecution history, like the specification, "provides evidence of how the PTO and the inventor understood the patent." *Id.* However, it is generally not as useful for claim construction because it is the product of an ongoing negotiation between the inventor and the PTO and may lack clarity. *Id.*

Finally, in addition to the intrinsic evidence, the court may rely on extrinsic evidence, consisting of "expert and inventor testimony, dictionaries, and learned treatises." *Id.* This evidence is considered less reliable because it is "not part of the patent and does not have the specification's virtue of being created at the time of patent prosecution for the purposes of explaining the patent's scope and meaning." *Id.* at 1318. However, it may be helpful in providing background on the technology at issue and guide in understanding the technical aspects of the patent. *Id.*

In this case, the parties dispute the construction of claim 5 of the patent.[2] This claim, with the disputed terms highlighted, states as follows:

> A method of forming a plurality of grooves in the ***surface of a road***, the method including the steps of rotating a cutting cylinder about an axis which is substantially horizontal and which axis is at an angle to the longitudinal direction of the road, ***moving the rotating cutting cylinder along the road, and simultaneously, moving said cylinder alternately up above the road surface and down into said road surface, to thereby form a plurality*** of ***generally parallel grooves*** in

2. On April 11, 2006, the PTO issued an "Ex Parte Reexamination Certificate" which confirmed the patentability of claims 1-7 of the patent, cancelled claims 8-13 and added a new claim 14. *See* Doc. #78, Ex. 1.

the road each groove having a forward side wall and a rearward side wall.

The parties first dispute whether the inventor's use of the term "road" in claim 5 was intended to encompass the cutting of grooves on the shoulder of a road. Defendant asserts that it was intended as such and plaintiff asserts that it was not. The patent does not particularly define the term road and the term's general definition is simply "an open way for the passage of vehicles, persons, and animals." *Webster's Third New International Dictionary, 1963 (2002).* However, considering the language of the entire patent, including the specification, the court concludes the term road should not be read to include a shoulder.

The primary purpose of the patent is to drain water from the road surface onto the shoulder by cutting grooves on or near the "edge" of the road. See "Background of the Invention," ¶1; "Summary of the Invention," Column 2, lines 2-4. The grooves secondarily serve as rumble strips to alert a driver to the edge of the road. See "Detailed Description of the Invention," ¶8, lines 25-28. For purposes of both, the patent refers to the edge and surface of the road distinct from the shoulder. In addition, the figures representing the embodiment of the invention indicate that the grooves are cut into the road surface not the shoulder. *See, e.g.*, Figs. 2 & 4:

Appendix G

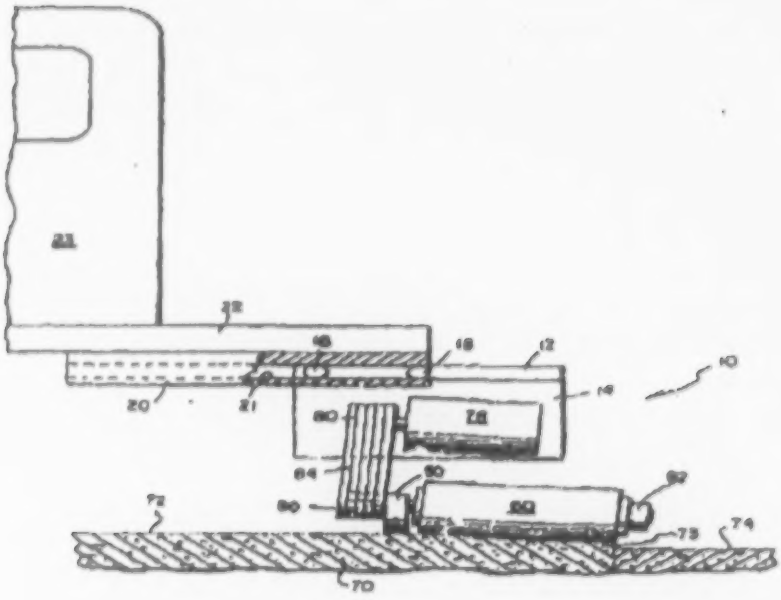

Figure 3

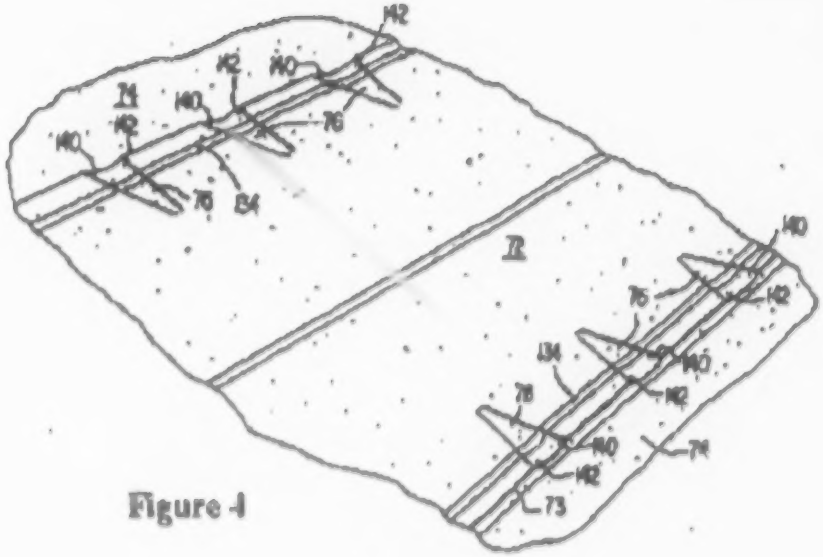

Figure 4

Accordingly, the court construes the term "road" in claim 5 of the patent to mean that portion of the roadway designed or ordinarily used for travel which does not include the shoulder.[3]

With respect to the second disputed phrase, both parties agree that the method of cutting grooves as defined in the patent requires three simultaneous moves — moving the cutting cylinder along the road while it also moves up and then down to cut a groove. Defendant states that the language of claim 5 describes a continuous movement through the cutting of at least two or more grooves as opposed to stopping and starting the cutting cylinder between cuts. Plaintiff claims this interpretation is too narrow and asserts that the language also covers a method of cutting whereby the machine, essentially, stops between cuts and then is moved forward for the next cut. This method is referred to as "stopping and indexing." Plaintiff claims that while the preferred method may be continuous, that is not the only method embodied by the claim.

In construing the meaning of these disputed terms, the court need look no further than the language of claim 5 itself. First, the claim refers to a method of forming "grooves" rather than a groove. Thus illustrating that more than one groove will be cut during the process. Second, the use of the term "plurality," which refers to a number greater than one,[4] anticipates the cutting of at least two

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3. Plaintiff has submitted extrinsic evidence on this subject in the form of the deposition testimony of Inventor Whitney. While the court affords little weight to such after-the-fact testimony, it notes the inventor's recent statement of his former intentions is consistent with the court's construction.

4. Webster's Third New International Dictionary, 1745 (2002).

grooves. Finally, a repetitive cut is consistent with the entire language of the patent which advises that the method of cutting grooves is intended to be continuous. *See, e.g.*, Summary of the Invention; Detailed Description of the Invention, ¶7. Accordingly, the court construes the disputed language to mean that the cutting cylinder simultaneously rotates, moves along the road and moves up and down through at least two cuts.

Lastly, the parties dispute whether the phrase "generally parallel grooves" includes end-to-end or "co-linear" grooves such as those depicted in Fig. A of plaintiff's *Markman* brief:

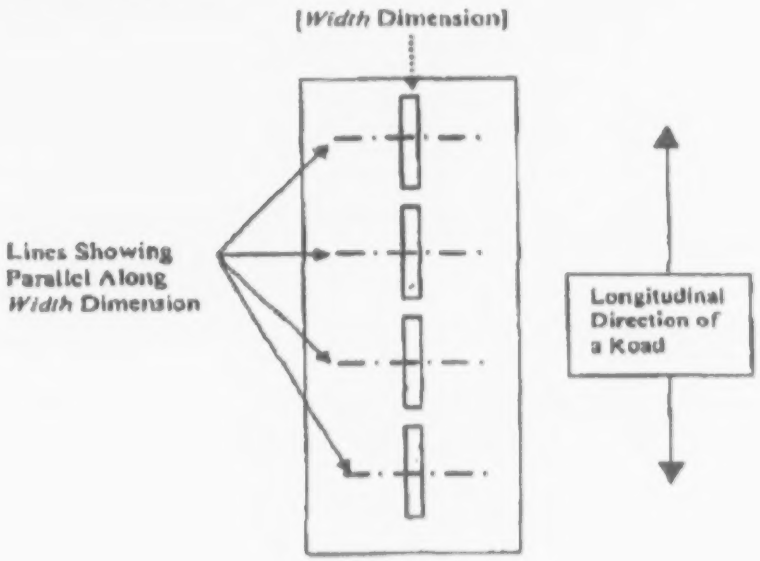


FIG. A

Plaintiff contends that such end-to-end grooves are anticipated by claim 5 because they are capable of being parallel along their width dimension. However, plaintiff's

proposed construction contradicts the very purpose of the patent which is primarily rain drainage and secondarily rumble strips. In addition, it ignores clarifying language in the claim itself. The words of the patent refer to the "formation of transverse grooves in a road."[5] Claim 5 states that such grooves have a "forward side wall and rearward side wall." Claim 5, lines 16-17. End-to-end grooves, which would not lie transverse or crosswise to the longitudinal direction of the road, would not have a forward or rearward side wall as required by claim 5 because their sides would run parallel to the longitudinal direction of the road.[6] Further, the patent figures do not depict end-to-end grooves as the preferred embodiment of the invention. See Figs. 2, 3, & 4:

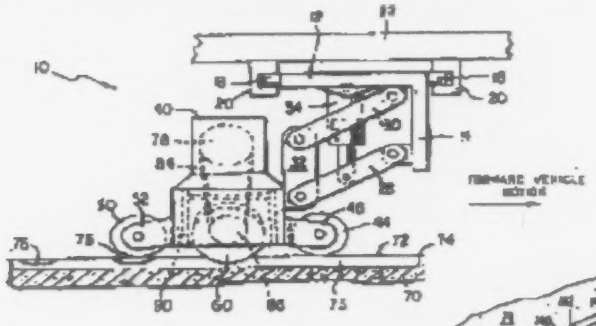
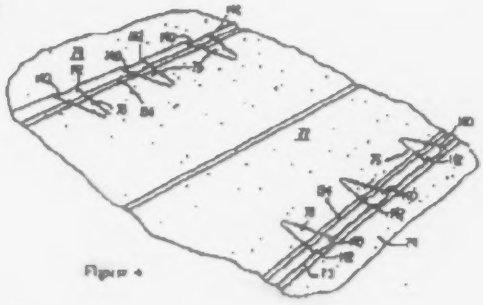


Figure 3



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5. *See* Background of the Invention.

6. Thus, they would be more accurately described as having "end walls" rather than side walls.

Accordingly, the court construes the disputed language to mean grooves which are arranged side by side with their long sides parallel to each other and which are generally oriented transverse to the travel direction of the road.

The disputed portions of claim 5 will be construed for all purposes in this action as set forth above. As the claim construction phase of this matter has been concluded, the parties are directed to submit, within ***ten (10) days*** of the date of this order, a proposed joint scheduling order setting out a proposed schedule for completion of proceedings in this case.

IT IS SO ORDERED.

Dated this 13th day of October, 2006.

s/ Joe Heaton
JOE HEATON
UNITED STATES DISTRICT JUDGE

APPENDIX H — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DENYING PETITION FOR REHEARING DATED AND FILED JULY 23, 2009

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the Appellant, and the petition for rehearing, having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on July 30, 2009.

FOR THE COURT,
s/ Jan Horbaly
Jan Horbaly
Clerk

Dated: 07/23/2009

APPENDIX I — RELEVANT STATUTE

35 U.S.C. 102 Conditions for patentability; novelty and loss of right to patent. - Patent Laws

35 U.S.C. 102 Conditions for patentability; novelty and loss of right to patent.

A person shall be entitled to a patent unless -

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

(c) he has abandoned the invention, or

(d) the invention was first patented or caused to be patented, or was the subject of an inventor's certificate, by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application for patent or inventor's certificate filed more than twelve months before the filing of the application in the United States, or

(e) the invention was described in - (1) an application for patent, published under **section 122(b)**, by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in **section 351(a)** shall have the effects for the purposes of this subsection of an application filed in the United States only if the international application designated the United States and was published under **Article 21(2)** of such treaty in the English language; or

(f) he did not himself invent the subject matter sought to be patented, or

(g)(1) during the course of an interference conducted under **section 135** or **section 291**, another inventor involved therein establishes, to the extent permitted in **section 104**, that before such person's invention thereof the invention was made by such other inventor and not abandoned, suppressed, or concealed, or (2) before such person's invention thereof, the invention was made in this country by another inventor who had not abandoned, suppressed, or concealed it. In determining priority of invention under this subsection, there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.